



# Community-Driven Development and Poverty Alleviation: an Economic Evaluation of the National Program for Community Empowerment in Indonesia

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## **ABSTRACT**

As the largest community-driven development (CDD) program in the globe, National Program for Community Empowerment of Indonesia (PNPM Rural) faces a noble target to achieve Sustainable Development Goal (SDG) which is declared in 2015 that formerly named Millennium Development Goal (MDG). In the intervening time, PNPM Rural is transformed to newly-established institution, Village Law, according to the Law no.6 / 2014. For encountering those challenges policy-makers need to evaluate their existed development program and re-design the blueprint of present institution to favor the marginalized poor to sustain their economic viability. This study seeks to investigate determinants of districts and village budget allocation of PNPM Rural investments from its first earmarked in 2007 and 2011. The attempt is executed in order to find out whether those budget allocation decision has aligned with community needs. An evaluation of their return to investment in terms of poverty mitigation within the time frame, specifically in district and sub-district level is also incorporated within the investigation.

The conceptual framework for the evaluation were made by leveraging the statistical tools named Structural Equation Model (SEM). The model was employ due to its versatility to assess causality in the system of equations simultaneously as well as to remedy the measurement error. The mechanism to discard endogeneity or measurement error was made by confounding the observed variable into suitable components (latent variables). This was equivalent with the way conventional factor analysis encounter it. The object of the analysis were budget allocation invested to health, education, economy, agriculture, energy, transportation, and social activities. The budgets were initially stated in nominal values which subsequently discounted to the real value by Consumer Price Index (CPI) adjustment. Afterwards, the data was assessed into two approaches. The first was the study of PNPM Rural performance in western part of Indonesia. It had utilized district level data in backward area in terms of poverty level or poverty headcount ratio. While, the second was the case study analysis of Aceh Province. It was conducted in village-aggregated sub-district arrangement by means of number of poor reference published in the village over the total household existed in the corresponding village. The associations between village characteristics prior to PNPM Rural establishment and particular budget allocations were elucidated. The investigation of the characteristics to PNPM Rural participation was also elaborated.

It was finally documented that the return to investment of budget allocation invested to productive activities within PNPM Rural to poverty level was negative, or in other words, it helped decreasing poverty level especially on agriculture, and economic activity in the context of western part of rural Indonesia. In the case study of Aceh province, the result resonance the previous finding, that the PNPM investment had negative and significant effect to poverty. The determinant of budget allocation was predominantly significant too, except for the budget allocated to education investment. In terms of participation of the marginal poor, the covariance between empowerment for the poor and PNPM investment has shown positive but weak significance.

The recommendations are divided into two- folds. They are prescription for future compelling research and suggestion to policy-makers. The study incorporates others degree of marginalization such as extent of female-headed household and educational/ primary school attainment background are desirable. The level of elite composition in the community is also recommended to be included into analysis. In terms of policy narrative, the result of the study can be used as a lesson-learnt to sustain Community- Driven Development (CDD) program in Indonesia and to improve the bottleneck that hinder the target achievement. The prospective reform is village/community mapping strategy prior to program start up. It helps to better tailor the program scheme in respect to its associated resources the community has. Another improvement can be done by giving higher incentive to facilitators in order to enhance the skill they perform to help communities or stakeholders aware of their own specific needs and capacities.

Keywords: Community-Driven Development Program, Budget Allocation, Poverty, Economic Evaluation

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## **LIST OF ABBREVIATIONS**

ADB	Asian Development Bank
APBD	District Budget (Anggaran Pendapatan dan Belanja Daerah)
ALC	Agricultural Land Conversion
AMOS	Analysis of Moment Structure
APBN	National Budget
AusAID	Australian Agency for International Development
BALIMANDRA	The Progressive, Safe, Peace, and Prosperous Bali (Bali Maju, Aman, Damai, dan Sejahtera)
BAPPENAS	National Development Planning Agency (Badan Perencanaan Pembangunan Nasional)
BLM	Block Grant (Bantuan Langsung Mandiri) (Anggaran Pendapatan dan Belanja Negara)
BLT	Direct Cash Transfer/ Unconditional Cash Transfer (Bantuan Langsung Tunai)
BPS	Statistics Indonesia (Badan Pusat Statistik)
BRI	Bank of Indonesian Nation (Bank Rakyat Indonesia)
CARICOM	Caribbean Community
CCT	Conditional Cash Transfer
CDD	Community-Driven Development
CBD	Community-Based Development
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CIDA	Canadian International Development Agency
CPI	Consumer Price Index
CPR	Common Pool Resources
CSF	Critical Success Factor
DANIDA	Danish International Development Agency
DAPM	Community Development Trust Fund (Dana Amanah Pemberdayaan Masyarakat)

ECED	Early Childhood Education and Development
EFA	Exploratory Factor Analysis
EQS	EQuationS
FAO	Food and Agriculture Organization
FGD	Focus Group Discussion
FHT	Fairness Heuristics Theory
GDP	Gross Domestic Product
GFI	Goodness of Fit Index
GoI	Government of Indonesia
HDI	Human Development Index
HH	Household
IDI	In-Depth Interview
IFLS	Indonesian Family Life Survey
iid	Independent and Identically Distributed Random
Variables	
INDO-DAPOER	Indonesia Database for Policy and Economic Research
JAMKESDA	Regional Health Insurance (Jaminan Kesehatan Daerah)
JAMKESMAS	Health Insurance for the Poor (Jaminan Kesehatan Masyarakat)
KCR	Microcredit for people (Kredit Cinta Rakyat)
LAVAAN	Latent Variable Analysis
LISREL	LInear Structural RELationships
MDG	Millennium Development Goals
MFI	Micro Finance Institution
MHP	Micro Hydro Power
MUSRENBANG	Development Planning Meeting (Musyawarah Perencanaan Pembangunan)
NC	Necessary Condition
NPL	Non-Performing Loan
NSP	National Solidarity Program

NVZ	Nitrate Vulnerable Zone
P2KP	Urban Poverty Alleviation Program (Program Penanggulangan Kemiskinan di Perkotaan)
P3KI	Acceleration and Expansion of Poverty Alleviation in Indonesia (Percepatan dan Perluasan Pengurangan Kemiskinan Indonesia)
P3BM	Planning, Budgeting and Monitoring for the Poor (Perencanaan, Penganggaran, dan Pemantauan yang Berpihak pada Masyarakat Miskin)
PCA	Principle Component Analysis
PDF	Probability Density Function
PEKKA	Women-Headed Household Empowerment Program (Pemberdayaan Perempuan Kepala Keluarga)
PIJAR	Cow, Corn, and Seaweed (Sapi, Jagung, dan Rumput Laut)
PNPM Mandiri	National Program for Community Empowerment (Program Nasional Pemberdayaan Masyarakat) Mandiri
PNPM RIS	PNPM Rural Infrastructure Support
PNPM PISEW	PNPM Regional Infrastructure for Social and Economic Development
PPK	Kecamatan Development Program (Program Pengembangan Kecamatan)
PPLS	Data Collection on Social Protection Program (Pendataan Program Perlindungan Sosial)
PPP	Purchasing Power Parity
PODES	Village Potential Survey
PSAOP	Agricultural Services and Producer Organizations (ProgramProgramme de Services Agricoles et Organisations de Producteurs)
PSF	PNPM Support Facility
RASKIN	Rice for the Poor (Beras Miskin)



RCT	Randomized Controlled Trial
RFL	Revolving Loan Fund
RMSEA	The Root Mean Square Error of Approximation
RNF	Rural Non-Farm
RUTILAHU	Home which unfit from habitable (Rumah Tidak Layak Huni)
SAS	Statistical Analysis System
SC	Sufficient Condition
SDG	Sustainable Development Goal
SEM	Structural Equation Model
SIKD	Regional Finance Information System (Sistem Informasi Keuangan Daerah)
SIMPADU	Integrated Information System (Sistem Informasi Terpadu)
SKPD	The Local Work Unit (Satuan Kerja Perangkat Daerah)
SME	Small Medium Enterprises
SPP	Simpan Pinjam Perempuan (Woman Save and Loan)
SWB	Subjective Well-Being
TNP2K	The National Team for the Acceleration of Poverty Reduction (Tim Nasional Percepatan Penanggulangan Kemiskinan)
UBN	Unsatisfied Basic Needs
UKaid	United Kingdom Aid
UNDP	United Nations Development Program
UPK	Sub-district Activity Management Unit (Unit Pengelola Kegiatan)
UPP	Urban Poverty Project
USAid	United State Agency for International Development
WHO	World Health Organization

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